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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 003742

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SUBJECT: JAPAN POLICY AT A CROSSROADS

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Classified By: AIT Director Douglas Paal, Reason: 1.4 (B/D)

1. (C) Summary: Taiwan officials say they are willing to be patient with the glacial pace of development in formal relations with Japan because they need time to resolve a deep internal policy division over how to manage the relationship. The policy debate is driven by sharply divergent assessments over future trends in Sino-Japanese relations. Taiwan's National Security Council (NSC) is looking to shape a policy that seeks to prevent Taiwan from becoming a negative factor in Sino-Japanese relations. They advocate discarding Taiwan's traditional ties with the Japanese political right in favor of interaction with younger, more pragmatic policymakers in Tokyo. NSC moderates and academic observers say they fear that association with Japan's nationalists will not only fail to advance Taiwan-Japan relations, but may also make Taiwan an even bigger target for Chinese nationalists than it already is. On the other side of the debate is a coalition of pro-independence fundamentalists close to former President Lee Teng-hui and a group of foreign policy hard-liners in the Executive Yuan (EY). Both groups seek to align Taiwan with Tokyo in expectation of a future strategic confrontation between Tokyo and Beijing. While the NSC has the formal lead on Japan policy, President Chen Shui-bian has made a series of public statements and personnel assignments over the past six months that have favored the hard-liners. End Summary.

All Quiet on the Northern Front

2. (C) Japan policy officials in Taipei say there have been few significant developments in Taiwan-Japan relations since Tokyo opened a low-level annual policy dialogue in 2002. Taiwan MOFA Japan/Korea Section Chief Kuo Chung-shi said that Taiwan was pleased with Japan's enhanced support for Taiwan's observership at the World Health Assembly (WHA) last May, opposition to lifting the EU arms embargo on China, and its recent moves to grant Taiwan visitors visa-free entry to attend the 2005 Aichi Expo. However, Kuo said that all of these initiatives were the result of a Japanese assessment of its own interests, rather than skillful diplomacy on Taiwan's part. "Japan's health authorities had real concerns about having its neighbor outside of the WHO, its military is obviously concerned about PLA modernization," he added, "and the visa initiative is largely the result of pressure from Aichi officials, who expect Taiwanese to be a major source of tourists for their expo."

3. (C) Kuo noted that the Japanese government, particularly the Foreign Ministry, remains reluctant to deepen the official relationship for fear of exacerbating already strained relations with Beijing. To illustrate the static state of the official relationship, Kuo noted that Japan continues to demand that the Taiwan delegation to the annual round of quasi-official policy exchanges started in 2002 (Reftel) be headed by an academic, with the rank of official participants from Taiwan's MOFA and NSC kept below the section chief level. Kuo added that there has been similarly little progress on a bilateral Free Trade Agreement (FTA) since the two sides agreed in 2002 to authorize private sector think tanks to study the costs and benefits of the initiative. "It has been studied to death," Kuo commented, "but the Japanese keep coming up with excuses over why we can't move any further." Reading between the lines, Kuo said that Tokyo's clear message is "we will negotiate an FTA with Taiwan only after we've completed FTA talks with everyone else in Asia."

A New Policy for a New Japan...

4. (C) Taiwan NSC officials nonetheless say they are comfortable with slow pace of the relationship, because they see overall strategic dynamics working in Taipei's favor. National Security Council (NSC) Senior Advisor for Asian Affairs Lin Chen-wei told AIT that "Japan is increasingly realistic about the challenges it faces in Asia -- protecting sea lanes, encouraging the PRC's peaceful integration into the region and the world economy, and energy security." Lin added that these were exactly the same strategic issues facing Taiwan. "Our task now is to demonstrate to Tokyo that

we can be a partner in meeting these challenges and are not simply a source of further problems in Sino-Japanese relations," Lin stated. One new area for contact is the field of foreign aid, Lin asserted, both targeting China and Southeast Asia. China's environmental and energy policies have immediate implications for Taiwan and Japan, Lin explained, and the two countries have complementary technologies that could help the PRC. Lin added that Taiwan also has comparative advantages in the field of commercial development that could assist Japan maintain its economic influence both in the PRC and among the overseas Chinese business networks in Southeast Asia. Lin said that anti-piracy and law enforcement cooperation, including actions against North Korean illicit activities, also offers potential for expanded contacts.

15. (C) Lin said that the other reason he is content with the slow pace of development in the relationship is that it gives the NSC more time to update Taipei's Japan policy orientation. Lin asserted that before Tokyo and Taipei can create a serious relationship, Taiwan will need to break the bad habits of the past. "The traditional anti-Communist basis underlying Taiwan-Japan relations is no longer relevant today," he asserted. Lo Fu-chen, Chairman of the Association of East Asian Affairs and recently departed Taiwan representative in Tokyo, noted that the long-standing division between pro-China and pro-Taiwan politicians in Japan is fading into the past. "Up-and-coming politicians like (Democratic Party of Japan's) Maehara Seiji and (LDP Acting Secretary General) Abe Shinzo aren't pro-China or pro-Taiwan," he stated, "they are pro-Japan and will do what is best for their own country." Lo added that Taipei needed to do more than simply bash the PRC if it wants to build a sustainable relationship with Tokyo.

Or an Old Policy for an Old Japan

16. (C) Moderates like Lo and Lin acknowledge, however, that many do not share the view that PRC-Taiwan-Japan relations can become a positive sum game. Lin said that biggest challenge he and his NSC colleagues face is the dominance of Lee Teng-hui and his disciples over the Japan policy process. "These guys are frozen in time," complained Lin, "the Japanese they speak is 50 years out of date and their contacts, mostly retired Maritime Self-Defense Forces admirals, are considered right-wing extremists in Japan." While NSC Secretary General Chiou I-jen chairs the government's formal Japan policy inter-agency task force, Lee associates hold key Japan policy posts. Taiwan's Tokyo representative, Ko Sekai, and his deputy, Chen Hong-chi, are long-time Lee associates (Note: Lo is as well, but people close to both say they have had a major falling out over Lee's drift to the fundamentalist extreme. End Note). Officials at MOFA and the NSC say that TECRO Rep. Ko is often pursuing his own agenda, greatly complicating management of the relationship. East Asian Affairs Association's Lo told AIT that "we are getting constant complaints from Tokyo over Ko's public remarks on Taiwan sovereignty issues."

17. (C) Not all advocates of an anti-PRC Taiwan-Japan alliance are elderly fundamentalists, a fact that raises questions about the NSC's ability to pursue a more moderate line over the medium term. Senior advisors to Premier Yu Shyi-kun form another influential hard-line policy node on Japan relations. On the eve of taking his current post in May, Executive Yuan (EY) Secretary General Arthur Iap (Ye Guo-xing) complained to AIT that, outward appearances notwithstanding, it was Tokyo that was more "realistic" about the "China threat" than Washington. "Japan doesn't voice their fears outwardly because it does not serve their immediate interests," he asserted, "but when speaking privately, it is clear they don't harbor the sorts of illusions about prospects for "China's peaceful rise" that many in Washington seem to have." Another active player on Japan policy is the Taiwan Think Tank, which provides much of the intellectual input into Premier Yu's foreign policy team. The think tank maintains frequent contacts with conservative Japanese counterparts such as the Okazaki Institute and former Prime Minister Nakasone Yasuhiro's Research Institute for Peace Studies (RIPS).
President Sets the Direction(s)

18. (C) Strait Exchange Foundation (SEF) Deputy Secretary General Yen Wan-ching, a member of the NSC's Japan policy committee, told AIT he is pessimistic that the NSC can win the bureaucratic battle against the hard-liners. "The problem is the president," Yen continued, "he is the only one who can enforce discipline on the policy debate." Yen bemoaned, however, that "the only time the president even thinks about Japan is when there is a Japanese visitor sitting in front of him." When the president has spoken on Japan policy, he has appeared to side with the hard-liners rather than the moderates in his NSC. For example, during a November 20 meeting with Japan Interchange Association

Chairman Reijiro Hattori, Chen boasted that Taiwan provided the intelligence that helped Japan track the Chinese submarine that recently strayed into Japanese waters. During the same open press meeting, Chen drew a comparison between calls (from Japanese conservatives) for Japan to "become a normal country" with his own efforts to give Taiwan full sovereignty.

Avoiding Bad Company

9. (C) Moderates inside government and outside analysts warn that the future direction of Taipei's Japan policy could have ramifications beyond the bilateral relationship if it is mishandled. Soochow University Professor Liu Bih-rong warned that Taiwan is running long-term risks by siding with Tokyo on Sino-Japanese disputes over things like territory. "Most Chinese can tolerate U.S.-Taiwan relations to a certain extent," he assessed, "but they cannot accept the idea of Taiwan helping Japan against China, it brings back bitter memories." The NSC's Lin offered a similar assessment. "If we aren't careful, we could become the target of the growing anti-Japan sentiment among the Chinese public," he cautioned. Lin added, "the one thing that motivates Chinese nationalism more than the desire for unification is bitterness towards Japan."

Comment: More About Beijing Than Tokyo

10. (C) Taipei's policy debate may have a greater impact on its ties with Beijing than with Tokyo. The Japanese government has made it clear over the past three years that it sets the parameters and pace for the relationship, not Taipei. However, Taiwan's public diplomacy, especially its positions on disputes between the PRC and Japan, is unlikely to escape notice by leaders and the public on the Mainland. Taipei's repeated embrace of Japanese nationalists like Tokyo Governor Ishihara Shintaro, support for Japan's position on Sino-Japanese territorial disputes, and boasts about Taiwan-Japan military cooperation could further exacerbate cross-Strait tensions. These actions may also complicate Japan's efforts to manage its relationship with Beijing, making Tokyo less willing to take risks on issues like the EU arms embargo and Taiwan's observership in the WHO.

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